

**Remarks for Ranking Member Tom Davis**  
**Domestic Subcommittee Oversight Hearing**  
***Implementation of Section 1221 of the EPACT***  
**April 25, 2007**

Chairman Kucinich- first let me thank you for working on a bipartisan basis to hold today's oversight hearing on the implementation of Section 1221 of the Energy Policy Act of 2005 (EPACT). At its core, this section of the Act focuses on the creation of National Interest Electric Transmission Corridors, in areas of the country where DOE has determined that there is a critical need. Many have raised concerns about this section of the Act, and I understand that both Mr. Hinchey and Mr. Wolf have introduced legislation to address this problem. I support their efforts. But ultimately, we are here today to exercise our Committee's oversight responsibility on a provision that is potentially problematic.

Last summer, DOE designated two Critical Congestion Areas which included the Atlantic Coast area from metropolitan New York southward to Northern Virginia and Southern California. Based on this finding, DOE is in the process of designating draft "National Interest Electric Transmission Corridor." The significance of this designation comes from the new authority that the EPACT granted to the Federal Energy Regulatory Commission (FERC). Utility companies in NEIT Corridors may apply to FERC, which now has so-called "back-stop" authority, to approve new transmission lines if the state process fails for a number of reasons.

My concern over Section 1221 of the Energy Policy Act springs from two sources: 1. Federalism/ State autonomy issues and 2. the mindset with which we approach energy management challenges.

With respect to state autonomy, states have been in charge of the approval process for new transmission lines from the beginning. State statutes are set up to balance the interests of their citizens who are equally consumers of energy, land owners, and consumers of the environment. For example, in my home state, when the State Corporation Commission reviews an application of a new transmission line, they are bound to consider not just need, but also that the new transmission line will minimize adverse impacts on the scenic assets, historic districts, and the environment of the affected area. If a utility applies to FERC, will these issues be given due consideration?

With respect to managing the challenges associated with energy generation and distribution, I would first point out that we in Virginia have an energy problem. According to a 2006 DOE report, The Mid-Atlantic region of the country requires "billions of dollars of investment in new transmission, generation, and demand-side resources over the next decade to protect grid reliability."

I want to take a moment to reflect on that statement – according to the U.S. Department of Energy, there are three elements involved in solving grid congestion- A.) transmission

lines, B.) new generation, and C.) demand-side management. Clearly, there is not one single solution to my state's energy problem. New transmission lines are not a silver bullet. In fact, before they released their "National Electric Transmission Congestion Study" they released a study on the benefits of "Demand Response in Electricity Markets and Recommendations for Achieving Them." As the title suggests, this study evaluated the benefits of investing in demand side management.

Demand side management refers to the management of consumer demand in response to supply conditions. For example, demand side management solutions work with electricity customers to reduce their consumption at critical times or in response to market prices. Customers would then shed loads in response to a request by a utility or market price conditions. Under conditions of tight electricity supply, demand response can significantly reduce the peak price and, in general, electricity price volatility. In fact the state of California effectively used demand side mechanisms to cope with last summers' heat wave.

The bottom line is that sound energy policy is, and should continue to be, a significant priority of both the States and the Federal Government. Reliable and affordable energy is a key component of economic development. However, opportunities for innovation and conservation cannot be ignored. It is appropriate to require that solutions, such as demand side management and conservation be part of the package of alternatives considered when planning for expected energy needs. It is also important that the Federal Government not needlessly usurp the longstanding authority and role of the states on this issue. The 2005 Energy Policy Act understood and shared this goal. I hope that we can leave here today with a better understanding of the way that the Federal Government can work with states to solve energy congestion problems, while still respecting state autonomy.

I look forward to hearing the testimony of today's witnesses and I yield back the remainder of my time.